

From: Nav Gupta <[REDACTED]>
To: "Jeffrey Epstein" <[REDACTED]>
Cc: Tazia Smith <[REDACTED]>, Vinit Sahni <[REDACTED]>, Paul Morris <[REDACTED]>
Subject: Re: Jeffrey - 4 trades I like - Nav [C]
Date: Mon, 14 Apr 2014 20:08:16 +0000

Sure Jeffrey - we will run live levels by you tomorrow am and suggest sizes based on capital at risk and target entry points (where appropriate).

Nav

On 14 Apr 2014, at 20:59, "Jeffrey Epstein" <jeevacation@gmail.com> wrote:

ok lets do them

On Mon, Apr 14, 2014 at 1:17 PM, Nav Gupta <[REDACTED]> wrote:
Classification: Confidential

Hi Jeffrey,

There hasn't been much I've really liked recently.
Here are four trades - 3 I like right now and 1 for now or soon.

1) BUY 10y BTPS @ 3.16% - This is a 3-6mth 'buy the rumour sell the fact' tactical trade to position for ECB QE (now)

The ECB is preparing both itself and markets for QE - Its senior board members have stepped up public comments over the past 48hrs. This is the clearest sign so far QE could happen and why I am writing to you now.

Ideally ECB wants to buy ABS from small to medium sized European companies but the outstanding available is relatively small so it will likely buy Eurozone Government Bonds. The spread between Italian BTPs and German Bunds has tightened significantly past 18months but old metrics of value make no sense in Europe because they rely on history when there was no QE.

While It's hard to get excited about 10y BTPs yielding 3.16% (164bp over 10Y German Bunds) I'd still have 5-10mm 10y BTPs in my portfolio both for the duration and spread compression potential. I prefer 10y over 5y because the recent nearly parallel spread compression has left 5s10s steep relative to 0-5s..

3 reasons i like this trade:

- i) macro investors view ECB QE as a second bite at the cherry. Everyone I talk to wants European risk assets having seen QE in the US.
- ii) ECB QE is probably still 3-6mths away which will keep credit bid. This will be a buy the rumour sell the fact trade

iii) Credit has been bulletproof during the recent risk selloff because a) ECB QE expectations, b) G3 rate hikes are being pushed into the future while cash has nowhere else to go. This price action is telling - as and when equities recover i think credit continues to tighten

Yields of 10Y Italy, 10y Germany and the Yield Spread

<tkmime01.secure>

2) Tactically position for higher EURUSD - 2 week view (now)

BUY EUR50mm 2week expiry 1.40 strike European Style EURUSD Calls @ 6bp (EUR30,000)

This is a low cost contrarian short term tactical call. Most investors myself included are bullish USD in the medium term (see trade 3)

but in the very short term I see EURUSD higher because:

- i) Despite ECB preparing the markets for QE, the price action of EURUSD (broadly unchanged) has been quite bullish compared to what one would expect
- ii) Speculators don't appear long EURUSD to us. Majority are short or flat.
- iii) implied volatility is 5.25% (offer for 2week options) which is very very low historically. So this is a penny option, highly convex, pain trade bet against other speculators betting on QE

If my view is wrong 6bp is lost. If i'm right i'd plan to exit in a week making 4-6x

Scenario Analysis - Premium in bp of EUR notional

<tkmime04.secure><< 4bp is mid mkt, offer is 6bp

3) Position for a Stronger Dollar - 1year view (now or soon)

Buy 1y expiry European style digital binary option on EURUSD struck 5% below spot @ 21% of payout (which i think is too cheap)

Current strike (spot - 5%) would be 1.3120

At expiry if EURUSD has fallen by more than 5% from current levels the option payout is EUR1mm. Upfront premium is EUR210k.

The option is liquid and can be unwound at any time.

- i) Yellen has done a poor job of communicating the Fed's thinking but its increasingly clear the Fed will brake later than usual
- ii) Betting on higher US interest rates *in the rates market* isn't cost effective because the forward curve is already pricing in higher rates
- iii) The Dollar hasn't appreciated yet because short rates in the US haven't risen meaningfully
- iv) THE KEY POINT - FX volatility is very low in currency pairs like EURUSD where central bank policy on each side is increasingly diverging. The low vol makes this bet inexpensive to put on.
- v) Because FX vol is so low betting now or soon with a one year time horizon costs very little. id rather be early than late here
- vi) i prefer 1y expiry because this trade could take 6-12mths to play out

1Y EURUSD VOL: Low - but then again most most vols are

What I like about EURUSD is that central bank policy on each side is diverging

<tkmime07.secure>

This Table shows mid-market premiums (in % of notional) as spot and time change.

<tkmime03.secure>

19.5 is mid (offer is 21)

4) Scale into £4mm Nationwide (UK Building Society) 6.875% perpetual which yields 6.4% in GBP and is likely to be called in 5years

European Bank AT1 Hybrid Bonds (aka CoCo's) have rallied significantly. We were unable to get the BBVA issue at the right levels.

A very similar bond which has rallied 30bp less than the BBVA is the Nationwide (UK Building Society) 6.875% perpetual which currently yields 6.4% and is likely to be called in 5years time. It has a tier1 capital trigger of 7% and current tier1 capital ratio is 13% which is fair margin.

The Nationwide one i'm suggesting today is rated Fitch/S&P BB+, its parent is Fitch/S&P rated single-A

The BBVA bond we tried to buy earlier is rated Fitch BB-, its parent is S&P rated BBB-

I suggest scaling £2mm at 6.5% and £2mm at 6.75%. Transaction cost is 6bp from mid.

Yield to call of Nationwide 6.875% perpetual ISIN XS1043181269

<tkmime02.secure>

Tazia for any execution, Q&A to me.

Best,
Nav

<tkmime05.secure>

Nav Gupta

Managing Director

Deutsche Bank AG, Filiale London
Deutsche Asset & Wealth Management
105/108 Old Broad St (Pinners Hall), EC2N 1EN London, United Kingdom

Email [REDACTED]

Any proposed ideas are being delivered to you by the DeAWM Key Client Partners ("KCP") London desk for discussion purposes only, and do not create any legally binding obligation on the part of Deutsche Bank AG and / or its affiliates ("DB"). These ideas are for the consideration of the intended recipients of this mail only. The KCP London desk does not provide investment advice. All intended recipients are Professional investors (as defined by MiFID), who understand the strategy, characteristics and risks associated with any ideas proposed herein and will be able to evaluate it independently. All trades on proposed ideas shall be subject to the relevant internal approvals prior to execution.

<tkmime06.secure>

This e-mail may contain confidential and/or privileged information. If you are not the intended recipient (or have received this e-mail in error) please notify the sender immediately and delete this e-mail. Any unauthorized copying, disclosure or distribution of the material in this e-mail is strictly forbidden.

Please refer to [REDACTED] for additional EU corporate and regulatory disclosures and to [REDACTED] for information about privacy.

--

please note

The information contained in this communication is confidential, may be attorney-client privileged, may constitute inside information, and is intended only for the use of the addressee. It is the property of

Jeffrey Epstein

Unauthorized use, disclosure or copying of this communication or any part thereof is strictly prohibited and may be unlawful. If you have received this communication in error, please notify us immediately by return e-mail or by e-mail to jeevacation@gmail.com, and destroy this communication and all copies thereof, including all attachments. copyright -all rights reserved

This e-mail may contain confidential and/or privileged information. If you are not the intended recipient (or have received this e-mail in error) please notify the sender immediately and delete this e-mail. Any unauthorized copying, disclosure or distribution of the material in this e-mail is strictly forbidden.

Please refer to [REDACTED] for additional EU corporate and regulatory disclosures and to [REDACTED] for information about privacy.